

Detroit Public Schools

**Federal Awards
Supplemental Information
June 30, 2005**

Detroit Public Schools

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Independent Auditor's Report

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate fund information of the Detroit Public Schools for the year ended June 30, 2005 and have issued our report thereon dated November 9, 2005. Those financial statements that collectively comprise the basic financial statements are the responsibility of the management of the Detroit Public Schools. Our responsibility was to express opinions on those financial statements that collectively comprise those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Detroit Public Schools. The accompanying schedule of expenditures of federal awards and the reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 9, 2005

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

We have audited the financial statements of the Detroit Public Schools governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Detroit Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Detroit Public Schools' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-A and 05-B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-A to be a material weakness.

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Detroit Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 05-C.

We also noted certain additional matters that we have reported to the management of the Detroit Public Schools in a separate letter dated November 9, 2005.

This report is intended solely for the information and use of the chief executive officer, the School Reform Board, management, the oversight agency, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 9, 2005

Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

Compliance

We have audited the compliance of the Detroit Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The major federal programs of the Detroit Public Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Detroit Public Schools' management. Our responsibility is to express an opinion on the Detroit Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Detroit Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Detroit Public Schools' compliance with those requirements.

In our opinion, the Detroit Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1, 05-2, 05-3, 05-4, 05-5, 05-6, 05-7, 05-8, 05-9, 05-10, 05-11, 05-12, and 05-13.

To the Chief Executive Officer and
the School Reform Board
Detroit Public Schools

Internal Control Over Compliance

The management of the Detroit Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Detroit Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Detroit Public Schools' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-9.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the chief executive officer, the School Reform Board, management, the oversight agency, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 9, 2005

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Clusters:		
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:		
National School Breakfast Program:		
Project number 041970	10.553	\$ 9,287,773
Project number 0 51970		<u>7,900,813</u>
Total National School Breakfast Program		17,188,586
National School Lunch Program:		
Project number 041950	10.555	3,091,291
Project number 041960		22,799,323
Project number 041980		213,392
Project number 051950		2,344,803
Project number 051960		19,614,421
Project number 051980		<u>234,152</u>
Total National School Lunch Program		48,297,382
Summer Food Service Program for Children:		
Project number 040900	10.559	18,724
Project number 041900		<u>1,945</u>
Total Summer Food Program		<u>20,669</u>
Total Child Nutrition Cluster		65,506,637
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD:		
IDEA:		
Education of the handicapped 01-04	84.027	14,151,746
Education of the handicapped 02-03		18,096,263
Education of the handicapped 03-04		22,644,563
Education of the handicapped 04-05		24,546,835
WCRESA IDEA Center Expansion 03-04		3,382,380
WCRESA IDEA Center Expansion 04-05		3,935,295
Assistive Technology Training and Information Center Grant 04-05		499,906
Assistive Technology Training and Information Center Grant 03-04		463,724
Barsamian Assessment Center - Capacity Building Center 03-04		375,475
Barsamian Assessment Center - Capacity Building Center 04-05		<u>394,249</u>
Total IDEA		88,490,436

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005**

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 8,088,578	\$ 1,527,467	\$ -	\$ 2,726,611	\$ 1,199,144	\$ -
-	-	-	6,720,259	8,493,763	1,773,504
8,088,578	1,527,467	-	9,446,870	9,692,907	1,773,504
2,014,743	-	-	1,076,548	1,076,548	-
20,125,670	4,000,247	(29,202)	6,644,698	2,673,653	-
174,203	31,187	-	3,732	39,189	66,644
-	-	(27,808)	2,011,028	2,344,803	305,967
-	-	-	15,561,208	19,614,421	4,053,213
-	-	60,000	234,152	174,152	-
22,314,616	4,031,434	2,990	25,531,366	25,922,766	4,425,824
-	-	-	18,724	18,724	-
-	-	-	1,945	1,945	-
-	-	-	20,669	20,669	-
30,403,194	5,558,901	2,990	34,998,905	35,636,342	6,199,328
2,358,416	(185,388)	185,388	-	-	-
17,933,312	1,646,312	(1,646,312)	-	-	-
13,794,803	3,536,514	-	12,406,274	8,849,760	(20,000)
-	-	-	14,728,104	16,313,854	1,585,750
3,308,078	263,936	-	318,806	54,870	-
-	-	-	3,607,777	3,493,740	(114,037)
-	-	-	449,916	487,375	37,459
463,724	84,264	(9,264)	75,000	-	-
255,429	109,208	-	243,254	12,220	(121,826)
-	-	-	354,825	387,091	32,266
38,113,762	5,454,846	(1,470,188)	32,183,956	29,598,910	1,399,612

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Clusters (Continued):		
Special Education Cluster - U.S. Department of Education - Passed through the Wayne County ISD (Continued):		
Preschool Incentive:	84.173	
Preschool Incentive 03-04		\$ 874,904
Preschool Incentive 04-05		837,783
Infant Interagency 03-04		87,938
Infant Interagency 04-05		<u>87,938</u>
Total Preschool Incentive		<u>1,888,563</u>
Total Special Education Cluster		90,378,999
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Wayne County ISD - Medical Assistance Program:		
Medicaid Outreach 03-04	93.778	1,878,646
Medicaid Outreach 04-05		2,072,354
Pupil Transportation 03-04		631,732
Pupil Transportation 04-05		<u>881,887</u>
Total Medicaid Cluster		5,464,619
Other federal awards:		
U.S. Department of Education - Direct programs:		
Indian Education - Project number S060A40756-94	84.060	81,374
U.S. Project HRRTEP:		
Project number not available	93.938	429,693
Project number not available		225,604
Project number not available		<u>496,721</u>
Total U.S. Project HRRTEP		1,152,018
Carol M. White Physical Fitness	94.215F	373,671
Carol M. White Physical Fitness	94.215F	<u>292,096</u>
Total		665,767
Literacy and School Libraries - Linking Kids to Learning	84.364A	280,125
Literacy and School Libraries - Linking Kids to Learning	84.364A	<u>322,214</u>
Total		602,339
Transition to Teaching Best	84.350	363,666
Transition to Teaching Best	84.350	<u>566,092</u>
Total		929,758

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 892,234	\$ 376,557	\$ (17,327)	\$ 359,230	\$ -	\$ -
-	-	-	754,005	700,153	(53,852)
59,949	15,980	4,090	43,793	23,723	-
-	-	-	43,969	70,304	26,335
<u>952,183</u>	<u>392,537</u>	<u>(13,237)</u>	<u>1,200,997</u>	<u>794,180</u>	<u>(27,517)</u>
39,065,945	5,847,383	(1,483,425)	33,384,953	30,393,090	1,372,095
-	270,123	(270,123)	1,878,646	1,878,646	-
-	-	-	2,072,354	2,072,354	-
-	-	631,732	631,732	-	-
-	-	-	881,887	881,887	-
-	270,123	361,609	5,464,619	4,832,887	-
84,147	23,795	(23,795)	-	-	-
147,135	272,598	-	272,598	-	-
-	13,417	-	13,417	56,536	56,536
<u>394,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,083</u>	<u>102,083</u>
541,503	286,015	-	286,015	158,619	158,619
181,408	94,446	-	248,922	192,262	37,786
-	-	-	-	49,298	49,298
181,408	94,446	-	248,922	241,560	87,084
218,651	24,302	-	85,776	53,675	(7,799)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,468</u>	<u>237,468</u>
218,651	24,302	-	85,776	291,143	229,669
395,733	125,000	-	250,000	170,359	45,359
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,981</u>	<u>77,981</u>
395,733	125,000	-	250,000	248,340	123,340

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Education - Direct programs (Continued):		
21st Century Comm Learning Center 032110 21ST02078	84.287	\$ 996,989
21st Century Comm Learning Center 032110 21ST02079	84.287	1,144,952
21st Century Comm Learning Center 042110 21ST03060	84.287	765,204
21st Century Comm Learning Center 042110 21ST03061	84.287	613,108
21st Century Comm Learning Center 042110 21ST03062	84.287	639,093
21st Century Comm Learning Center 042110 21ST03063	84.287	545,329
21st Century Comm Learning Center 042110 21ST03064	84.287	558,894
21st Century Comm Learning Center 042110 21ST03065	84.287	764,816
21st Century Comm Learning Center 052110 04029	84.287	850,000
21st Century Comm Learning Center 052110 04030	84.287	850,000
21st Century Comm Learning Center 052110 04032	84.287	850,000
21st Century Comm Learning Center 052110 21ST078	84.287	875,000
21st Century Comm Learning Center 052110 21ST079	84.287	875,000
21st Century Comm Learning Center 052110 21ST03060	84.287	850,000
21st Century Comm Learning Center 052110 21ST03061	84.287	850,000
21st Century Comm Learning Center 052110 21ST03062	84.287	850,000
21st Century Comm Learning Center 052110 21ST03063	84.287	850,000
21st Century Comm Learning Center 052110 21ST03064	84.287	850,000
21st Century Comm Learning Center 052110 21ST03065	84.287	850,000
Smaller Learning Community	84.287	2,200,000
Smaller Learning Community Phase 2	84.287	2,500,000
Southeastern Village Community Learning Centers Program	84.287B	1,400,000
New Century After-School Community Learning Centers Program	84.287B	1,150,080
New Century After-School Community Learning Centers Program	84.287B	<u>1,159,080</u>
Total		23,837,545
The National Science Foundation - Direct program - Detroit Urban Systemic Initiative - Project number ESR-9908234	47.046	<u>11,500,000</u>
Total noncluster direct programs		38,768,801

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 1,021,983	\$ 394,162	\$ (24,994)	\$ 369,168	\$ -	\$ -
912,542	(68,628)	24,994	163,782	207,416	-
560,774	347,342	-	551,772	204,430	-
495,542	243,628	-	361,194	117,566	-
537,267	323,414	-	425,240	101,826	-
564,851	287,311	(19,522)	267,789	-	-
598,722	355,712	(39,828)	315,884	-	-
565,161	346,263	-	545,918	199,655	-
-	-	-	487,488	733,531	246,043
-	-	-	514,826	532,906	18,080
-	-	-	298,027	523,608	225,581
-	-	-	371,454	569,627	198,173
-	-	-	370,192	686,758	316,566
-	-	-	422,708	811,537	388,829
-	-	-	458,473	606,732	148,259
-	-	-	424,993	592,615	167,622
-	-	-	297,269	600,274	303,005
-	-	-	265,204	723,219	458,015
-	-	-	578,529	665,423	86,894
400,000	40,236	-	400,000	699,591	339,827
89,030	(310,970)	-	100,000	580,131	169,161
1,319,047	1,208,101	-	1,192,034	37,068	53,135
461,142	1,047	-	-	31,525	32,572
924,499	667,768	-	700,000	869,674	837,442
8,450,560	3,835,386	(59,350)	9,881,944	10,095,112	3,989,204
3,342,812	343,287	-	757,247	485,584	71,624
13,214,814	4,732,231	(83,145)	11,509,904	11,520,358	4,659,540

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Education:		
Passed through the Michigan Department of Education:		
Education Consolidation and Improvement Act -	84.010	
Title I:		
Chapter I Regular (Title I Part A) 02-03 - Project number 031530/203		\$ 94,360,592
Chapter I Regular (Title I Part A) 02-03 - Project number 031530/304		27,256,922
Chapter I Regular (Title I Part A) 03-04 - Project number 0415300304		106,930,946
Chapter I Regular (Title I Part A) 03-04 - Project number 0415300 405		19,028,438
Title One 2% School Impro 0315500304		3,721,455
Chapter I Regular (Title I Part A) 04-05 - Project number 0515300405		130,060,012
Title I Part D 03-04 - Project number 0417000304		320,053
Title I Part D 04-05 - Project number 0517000405		<u>397,141</u>
Total Title I		382,075,559
Title I Accountability Grant - Project number 0215002003	84.348	4,221,114
Migrant Education:	84.011	
Project number 0418900304		340,901
Project number 0418302004		145,466
Project number UNK		62,249
Project number 051800405		<u>345,436</u>
Total Migrant Education		894,052
Title V, Part A - Innovative Programs:	84.298	
Project number 25716		398,717
Project number 040250 0304		2,347,382
Project number 050250 0405		2,061,007
Project number 040250 0405		<u>665,815</u>
Total Title V, Part A - Innovative Programs		5,472,921
Drug-free Schools and Communities National Program:	84.184	
Project number 042600/0CS03A		93,750
Project number 042600/0CS03B		93,750
Project number 032600 00500-CSA		125,000
Project number 032600 00500-CSB		<u>125,000</u>
Total Drug-free Schools and Communities National Program		437,500
Drug-free Schools and Communities National Program - Project number Q184A040089	84.184A	613,589

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 94,645,727	\$ -	\$ (285,135)	\$ (285,135)	\$ -	\$ -
27,256,922	12,983,833	-	12,983,833	-	-
79,687,255	14,687,255	-	43,202,507	28,515,252	-
-	-	-	8,000,000	18,995,085	10,995,085
-	-	-	3,721,455	3,721,455	-
-	-	-	62,646,260	83,624,193	20,977,933
320,053	-	320,053	320,053	-	-
-	-	-	261,158	301,953	40,795
201,909,957	27,671,088	34,918	130,850,131	135,157,938	32,013,813
4,229,280	-	(8,166)	(8,166)	-	-
217,146	114,353	-	238,108	123,755	-
55,622	55,622	-	145,466	89,844	-
-	-	-	-	62,249	62,249
-	-	-	-	287,809	287,809
272,768	169,975	-	383,574	563,657	350,058
-	(26,610)	26,610	-	-	-
1,772,199	1,772,199	-	2,347,382	575,183	-
-	-	-	-	1,489,164	1,489,164
-	-	-	-	232,756	232,756
1,772,199	1,745,589	26,610	2,347,382	2,297,103	1,721,920
-	-	-	-	91,267	91,267
-	-	-	-	91,267	91,267
125,000	15,472	-	15,472	-	-
-	-	-	125,000	125,000	-
125,000	15,472	-	140,472	307,534	182,534
-	-	-	111,088	111,088	-

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
Safe and Drug-free Schools and Communities:		
	84.186	
Project number 0328600304		\$ 37,450
Project number 0328600304		659,554
Project number 0328600304		1,507,467
Project number 0428600304		1,346,427
Project number 0428600405		1,411,591
Project number 0528600405		<u>2,774,087</u>
Total Safe and Drug-free Schools and Communities		7,736,576
Homeless Children and Youths:		
	84.196	
Project number 02320 001C		12,429
Project number 042320 0304		193,318
Project number 0423020 0405-C		12,428
Project number 052320 0405		<u>342,779</u>
Total Homeless Children and Youths		560,954
Limited English Proficiency:		
	84.365	
Project number 0305800 0304		173,466
Project number 0405800304		521,631
Project number 050800405		1,172,064
Project number 045800405		<u>289,778</u>
Total Limited English Proficiency		2,156,939
Adult Basic Education:		
	84.002	
Project number 061120-65000393		25,000
Project number 041120 4500393		18,357
Project number 041130 410334		752,720
Project number 041130 510335		807,813
Project number 041190 410334		65,350
Project number 051130 510335		<u>1,008,637</u>
Total Adult Basic Education		2,677,877
Comprehensive School Reform Demonstration:		
	84.332	
Project number 031870 0304		911,333
Project number 031870 0405		328,945
Project number 041870 0405		<u>1,020,263</u>
Total Comprehensive School Reform Demonstration		2,260,541

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ -	\$ (373)	\$ -	\$ -	\$ -	\$ (373)
-	(9,531)	-	-	-	(9,531)
1,507,467	502,263	-	502,263	-	-
857,356	(223,094)	-	265,976	459,998	(29,072)
-	-	-	1,411,591	1,411,591	-
-	-	-	1,473,664	821,443	(652,221)
2,364,823	269,265	-	3,653,494	2,693,032	(691,197)
-	(114)	-	-	-	(114)
168,911	88,861	-	113,268	24,407	-
-	-	-	12,428	12,428	-
-	-	-	227,189	253,339	26,150
168,911	88,747	-	352,885	290,174	26,036
150,044	(27,346)	-	29,076	56,422	-
383,304	362,486	-	500,813	138,327	-
-	-	-	-	600,838	600,838
-	-	-	-	289,778	289,778
533,348	335,140	-	529,889	1,085,365	890,616
-	-	-	-	22,199	22,199
-	-	-	18,357	18,357	-
364,331	207,718	-	596,107	388,389	-
-	-	-	682,307	682,307	-
-	-	-	65,350	65,350	-
-	-	-	408,257	754,830	346,573
364,331	207,718	-	1,770,378	1,931,432	368,772
1,102,929	233,740	(191,596)	42,144	-	-
-	-	-	328,945	328,945	-
-	-	-	804,540	878,374	73,834
1,102,929	233,740	(191,596)	1,175,629	1,207,319	73,834

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
Vocational Education - Basic Grants to States (Perkins II):		
Project number 033350 401524	84.048	\$ 20,000
Project number 043520 401224		4,565,858
Project number 053520 501224		<u>4,579,486</u>
Total Vocational Education - Basic Grants to States (Perkins II)		9,165,344
Vocational Education Tech Prep:		
Project number 043540 401424	84.243	147,944
Project number 053540 501424		<u>168,175</u>
Total Vocational Education Tech Prep		316,119
Goals 2000 - Goals 2000 96-97 - Project number 42274	84.276	50,000
Title II, Part D - Enhancing Education Through Technology:		
Project number 0434100ILWLDEMO	84.318	742,659
Project number 428001		739,528
Project number 34280-2		802,000
Project number 034290 0304		2,174,674
Project number 044280-2		799,750
Project number 0442900-304		2,012,633
Project number 0442900405		1,008,637
Project number 0542900405		<u>3,284,393</u>
Total Title II, Part D - Enhancing Education Through Technology		11,564,274
Reading First:		
Reading First State Grants Project number 032930/020301	84.357	6,113,349
Reading First State Grants Project number 042930/020302		6,132,014
Reading First State Grants Project number 042930/020303		<u>6,145,166</u>
Total Reading First		18,390,529
Title IIA - Improving Teacher Quality		
Title II, Part A Teacher Training/Principal Training Project number 0305200203	84.367	21,410,494
Title II, Part A Teacher Training/Principal Training Project number 040520304		21,605,332
Title II, Part A Teacher Training/Principal Training Project number 045200405		1,187,880
Title II, Part A Teacher Training/Principal Training Project number 050520040		<u>21,749,007</u>
Total Title II, Part A Teacher Training		65,952,713

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 20,000	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -
3,279,299	1,589,612	-	2,876,171	1,286,559	-
-	-	-	2,825,482	4,150,091	1,324,609
3,299,299	1,609,612	-	5,721,653	5,436,650	1,324,609
87,043	87,043	-	147,944	60,901	-
-	-	-	53,202	119,948	66,746
87,043	87,043	-	201,146	180,849	66,746
-	(4,119)	-	-	-	(4,119)
-	(25,371)	25,371	-	-	-
-	(13,640)	13,640	-	-	-
34,222	34,222	-	802,000	766,500	(1,278)
1,058,442	1,058,442	-	2,174,674	1,116,232	-
-	-	-	799,749	799,749	-
1,383,359	1,383,359	-	2,012,633	629,274	-
-	-	-	-	1,008,637	1,008,637
-	-	-	674,126	22,610	(651,516)
2,476,023	2,437,012	39,011	6,463,182	4,343,002	355,843
6,353,869	-	(240,503)	(240,503)	-	-
1,938,946	1,938,946	-	3,750,000	3,411,096	1,600,042
-	-	-	1,501,212	4,187,007	2,685,795
8,292,815	1,938,946	(240,503)	5,010,709	7,598,103	4,285,837
21,467,386	-	(56,892)	(56,892)	-	-
21,246,262	20,321,537	-	20,680,606	359,069	-
-	-	-	1,187,880	1,174,765	(13,115)
-	-	-	1,459,891	19,176,608	17,716,717
42,713,648	20,321,537	(56,892)	23,271,485	20,710,442	17,703,602

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Education (Continued):		
Passed through the Michigan Department of Education (Continued):		
MDE Gear Up 03-04	84.334	\$ 579,546
MDE Gear Up 04-05		569,706
Total MDE Gear		<u>1,149,252</u>
Total noncluster programs passed through the Michigan Department of Education		515,695,853
Passed through the Armada School District - 21st Century After School Community Learning Center:		
Clippert	84.287	210,928
Clippert		-
Total noncluster programs passed through the Armada School District		<u>210,928</u>
Total U.S. Department of Education noncluster programs		515,906,781
U.S. Department of Health and Human Services:		
Passed through the City of Detroit Neighborhood Services Department - Headstart:		
Headstart 03-04	93.600	7,882,861
Headstart 04-05		7,755,466
Headstart Special Education 03-04		161,431
Headstart Special Education 04-05		199,206
Total noncluster programs passed through the City of Detroit Neighborhood Services Department		15,998,964
Passed through the Michigan Department of Education - Refugee Children School Impact Grant:		
Project number 0418400304	93.576	123,823
Project number 041800405		70,756
Project number 051840408		138,090
Total Refugee Children School Impact Grant		332,669
CDC Grant/cshp Tech Assist Grant	93.938	1,000
Total noncluster programs passed through the MDE		<u>333,669</u>
Total U.S. Department of Health and Human Services noncluster programs		16,332,633

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 358,798	\$ -	\$ 358,798	\$ 534,234	\$ 206,578	\$ 30,142
-	-	-	-	393,454	393,454
<u>358,798</u>	<u>-</u>	<u>358,798</u>	<u>534,234</u>	<u>600,032</u>	<u>423,596</u>
270,071,172	57,126,765	(37,820)	182,509,165	184,513,720	59,092,500
37,613	32,613	(32,613)	-	-	-
<u>25,588</u>	<u>25,588</u>	<u>(25,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>
63,201	58,201	(58,201)	-	-	-
270,134,373	57,184,966	(96,021)	182,509,165	184,513,720	59,092,500
6,799,345	678,351	-	2,052,945	1,428,440	53,846
-	-	-	4,144,493	4,498,812	354,319
148,461	77,485	-	99,858	22,373	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>93,928</u>	<u>143,994</u>	<u>50,066</u>
6,947,806	755,836	-	6,391,224	6,093,619	458,231
99,199	58,783	-	83,407	24,624	-
-	-	-	-	70,756	70,756
<u>-</u>	<u>-</u>	<u>-</u>	<u>56,198</u>	<u>56,198</u>	<u>-</u>
99,199	58,783	-	139,605	151,578	70,756
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<u>99,199</u>	<u>58,783</u>	<u>-</u>	<u>140,605</u>	<u>152,578</u>	<u>70,756</u>
7,047,005	814,619	-	6,531,829	6,246,197	528,987

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Agriculture - Passed through the Michigan Department of Education:		
Food Distribution:	10.550	
Entitlement commodities		\$ 2,349,225
Bonus commodities		<u>533,270</u>
Total Food Distribution		2,882,495
Child Care Food Program:	10.558	
Project number 041920		13,537
Project number 051920		117,756
Project number 052010		<u>2,361</u>
Total Child Care Food Program		<u>133,654</u>
Total U.S. Department of Agriculture noncluster programs		3,016,149
Passed through City of Detroit Planning and Development - Title XX		
Empowerment Zone:	14.244	
Empowerment Zone - Detroit Compact		606,000
Empowerment Zone - Triangular Health Education		42,966
Empowerment Zone - Health Clinics		2,643,000
Empowerment Zone - EZ Entrepreneur		743,000
Empowerment Zone - Life MGMT ED		<u>460,000</u>
Total passed through City of Detroit Planning and Development		4,494,966
Passed through City of Detroit:		
WIA Breithaupt CTC IN School 03-04	17.259	346,960
WIA Breithaupt CTC IN School 04-05		306,000
WIA Breithaupt CTC OUT School 03-04		149,192
WIA Breithaupt CTC OUT School 04-5		<u>-</u>
Total WIA Breithaupt CTC IN/OUT School		802,152

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ -	\$ (655,574)	\$ 655,574	\$ 2,206,412	\$ 2,206,412	\$ -
-	-	-	533,270	533,270	-
-	(655,574)	655,574	2,739,682	2,739,682	-
7,193	6,655	-	13,537	40,408	33,526
-	-	-	117,756	187,715	69,959
-	-	-	2,361	4,391	2,030
7,193	6,655	-	133,654	232,514	105,515
7,193	(648,919)	655,574	2,873,336	2,972,196	105,515
236,681	105,526	-	163,010	59,519	2,035
-	-	-	42,966	98,417	55,451
1,017,993	119,012	-	185,597	66,585	-
322,509	65,791	36,573	105,001	2,637	-
179,318	5	-	3,398	3,393	-
1,756,501	290,334	36,573	499,972	230,551	57,486
229,702	-	93,741	117,289	74,258	50,710
-	-	-	-	261,924	261,924
96,606	-	61,154	-	36,060	97,214
-	-	-	-	11,140	11,140
326,308	-	154,895	117,289	383,382	420,988

Detroit Public Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Award Amount
Other federal awards (Continued):		
U.S. Department of Labor:		
Carnegie Cognitive Algebra 03-04	17.255	\$ 158,000
Carnegie Cognitive Algebra 04-05		129,000
WorkFirst Adult 03-04		606,700
WorkFirst Adult 04-05		<u>509,628</u>
Total U.S. Department of Labor		<u>1,403,328</u>
Total federal awards		<u>\$ 742,075,065</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2005

(Memo Only) Prior Year(s) Expenditures	Accrued (Deferred) Revenue at July 1, 2004	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
\$ 148,417	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	80,804	105,804	25,000
338,758	-	73,101	175,525	212,544	110,120
-	-	-	-	354,030	354,030
<u>487,175</u>	<u>-</u>	<u>73,101</u>	<u>256,329</u>	<u>672,378</u>	<u>489,150</u>
<u>\$ 362,442,508</u>	<u>\$ 74,049,638</u>	<u>\$ (377,849)</u>	<u>\$ 278,146,301</u>	<u>\$ 277,401,101</u>	<u>\$ 72,925,589</u>

Detroit Public Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Revenue from federal sources - As reported on financial statements	\$ 284,888,239
Add federal revenue reported as state revenue	362,404
Less state revenue reported as federal revenue	(10,876,752)
Add June 30, 2005 GASB No. 33 deferred revenue not included on the basic financial statements included on SEFA	<u>3,027,210</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 277,401,101</u>

Detroit Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Detroit Public Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Adjustments and Transfers

During the year ended June 30, 2005, adjustments and transfers in the amount of \$1,009,581 were made to write off receivables not expected to be collected and to return grant payments received in advance that were not spent before the awards had expired.

There is also an adjustment of \$631,732 that was received from the Michigan Department of Community Health related to the Medicaid Transportation Program for the period June 30, 2003 through June 30, 2004. This amount was inadvertently excluded from the prior year schedule of expenditures of federal awards.

Detroit Public Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? (One) Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? (One) Yes None reported

Noncompliance material to financial statements noted? (One) Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? (One) Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section I - Summary of Auditor's Results (Continued)

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
84.010	Title I
84.186	Safe and Drug Free Schools
84.048	Vocational Education
84.318	Title II, D
84.357	Reading First
84.367	Title II, A
93.600	Headstart
84.298	Title V, Part A
84.332A	Comprehensive School Reform Demonstration

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings

Reference Number	Findings
05-A	<p>Finding Type - Reportable condition and material weakness</p> <p>Criteria - The budget system of a school district should function as a key control to ensure that expenditures are properly authorized and accounted for.</p> <p>Condition - The School District's budget system does not operate in an effective manner.</p> <p>Context/Cause/Effect - Information tied to the Position Control Numbers (PCNs) was not timely entered into the Peoplesoft System by human resources resulting in inaccurate general ledger and the budget system information. Without accurate information, human resource decisions and staffing allocation decisions become difficult. Also, this resulted in significant line item budget to actual differences. Limited budget to actual expenditure analysis and budget to actual revenue analysis was conducted during the year using the on-line budget system. Subsequent to the State approval of the deficit elimination plan, the School District managed the budget process manually. This "off-line" management process lacks the proper control over all accounts at an appropriate level.</p> <p>Recommendation - The School District should implement a process in which PCNs are updated on a timely basis to ensure that expenditures are properly authorized, allocated, and accounted for.</p> <p>View of Responsible Official and Planned Corrective Actions - The division of finance is working closely with human resource operations to improve the internal controls over PCNs as well as the data entry process. In addition, the School District has implemented a process in which all changes to the budget are reconciled and budget to actual expenditure and revenue variances are analyzed on a monthly basis.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
05-B	<p>Finding Type - Reportable condition</p> <p>Criteria - The School District should maintain copies of all major employee election forms, including the election to be paid either over 21 weeks or 26 weeks in order to maintain proper audit trail documentation.</p> <p>Condition - The School District did not retain the employee election forms to be paid either over 21 weeks or 26 weeks.</p> <p>Condition/Cause/Effect - As part of the Peoplesoft general ledger/human resources system conversion during the year ended June 30, 2003, the employee elections to be paid over 26 weeks were properly entered into the system. These election forms were not retained. All employee election forms have been retained as audit trail documentation for those elections made subsequent to June 30, 2003.</p> <p>Recommendation - The School District should require all employees electing to be paid over 26 weeks to complete a new election form. These new forms should be maintained in the employee personnel file.</p> <p>View of Responsible Official and Planned Corrective Action - The School District plans to obtain new employee election forms from those employees electing to be paid over 26 weeks. These forms will be maintained in the employee personnel file.</p>
05-C	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - The authority to levy 18 mills on nonhomestead property for school district operating purposes is subject to periodic renewal by majority vote of the School District's electors.</p> <p>Condition - The voter authorization to levy the 18 mills on nonhomestead property for school district operating purposes expired as of June 30, 2002.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
05-C	<p>Context/Cause/Effect - Proposal A, which defines the method of funding for Michigan school districts, presumes the School District will levy the 18 mills to obtain full funding of its school aid. The 18 mills levied and collected on non-homestead property for school district operating purposes for 2002, 2003, and 2004 tax years totaling approximately \$259 million expired. The School District failed to recognize its expiration and continued to levy the 18 mills.</p> <p>Recommendation - The School District should seek a reinstatement of the 18 mill nonhomestead school district operating levy from the School District's electors in the November 2005 election. If approved, the School District should levy the entire 18 mills during the 2005 tax year on all nonhomestead properties. The School District should work with the State of Michigan and legal counsel to ensure the collection of expired tax levies can be retained.</p> <p>View of Responsible Officials and Corrective Actions - On November 8, 2005, the School District's electors approved the reinstatement of the 18 mill nonhomestead school district operating levy. The School District intends to levy the entire 18 mills during the 2005 tax year, which is the School District's June 30, 2006 fiscal year, on all nonhomestead properties. The School District has received an opinion from legal counsel indicating that in the unlikely event of a refunding of collected taxes, Michigan law allows the School District to assess a judgment levy to replace the revenue.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings

Reference Number	Findings
05-1	<p>Program Name - Child Nutrition Cluster, 10.553, 10.555, 10.559</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Claims for reimbursement should be adequately supported by the counts taken at the point of service.</p> <p>Condition - For two out of the 15 schools selected for testing, the recalculated daily lunch counts did not agree to the monthly report submitted by the School District. The monthly report submitted overstated lunch counts at these two schools by a total of 30 meals.</p> <p>Questioned Costs - \$81</p> <p>Error rate based on sample is .0084, total meals served is approximately 12,061,000 and the reimbursement rate is \$2.71 per meal.</p> <p>Context - The School District is reimbursed for lunches served based on the monthly report submitted, monthly accuclaim and edit checks for meals served. In two out of the 15 schools selected for testing, the total meals served was overstated by 30 meals.</p> <p>Cause and Effect - The over-reporting of meals causes the School District to be reimbursed for meals not served.</p> <p>Recommendation - The School District should ensure that monthly totals claimed for reimbursement accurately reflect the daily data.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with the finding and has taken appropriate steps to improve this process, including further implementation of the point of sale system.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-2	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Federal expenditures charged to the grant should be accurately reported on the annual DS-4044 and fully supported by the School District's financial records.</p> <p>Condition - The final expenditures reported on the DS-4044 were greater than the actual expenditures as supported by the general ledger. Per review of the final expenditure report and the expenditure detail for the 2003/2004 school year, we noted the expenditures reported on the final expenditure report were greater than the actual expenditures incurred.</p> <p>Questioned Cost - \$526,689</p> <p>Context - When completing the DS-4044, the School District should reconcile the report to the general ledger.</p> <p>Cause/Effect - The School District did not reconcile the DS-4044 to the general ledger prior to submission, which caused an overstatement of expenditures.</p> <p>Recommendation - The School District should ensure that expenditures reported on the DS-4044 are properly substantiated by the School District's records. Failure to do so can result in incorrect reimbursement.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The additional costs on the general ledger were the result of a journal entry made to record additional payroll costs. The journal entry was recorded on the general ledger subsequent to the submission of the DS-4044. In the future, the School District will strive to record all journal entries prior to the submission of the DS-4044.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-03	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District must provide general education services in all Title I schools that are comparable to those provided in non-Title I schools in each grade span. If all schools are served by Title I, the general education services must be comparable in each school. Comparability is determined by comparing the per pupil expenditures for instructional staff or the instructional staff/pupil ratios between equivalent grade span schools within the School District. The average per pupil expenditures or the instructional staff/pupil ratios for the buildings being compared may not be more than 10 percent lower in the Title I or higher poverty schools than in the lower poverty schools.</p> <p>Condition - Per review of the comparability report, three schools were not within this 10 percent comparability deviation. These schools were Sherill, Far West Alternative Middle, and Millennium Alternative.</p> <p>Questioned Costs - None</p> <p>Context - Three schools out of 228 schools reported on the comparability report, within grade spans, had deviations greater than 10 percent.</p> <p>Cause/Effect - The School District did not provide comparable services based on the pupil/staff ratio, which resulted in deviations exceeding 10 percent.</p> <p>Recommendation - The School District has procedures for determining and maintaining comparability. They should make every effort to ensure compliance with this requirement.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with this finding. All attempts are made to accurately maintain comparability among buildings.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-4	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District must provide general education services in all Title I schools that are comparable to those provided in non-Title I schools in each grade span. If all schools are served by Title I, the general education services must be comparable in each school. Comparability is determined by comparing the per pupil expenditures for instructional staff or the instructional staff/pupil ratios between equivalent grade span schools within the School District. The average per pupil expenditures or the instructional staff/pupil ratios for the buildings being compared may not be more than 10 percent lower in the Title I or higher poverty schools.</p> <p>Questioned Costs - None</p> <p>Context - Twelve schools out of 228 receiving Title I funds were not included in the comparability report due to schools not having poverty, membership, or staff data available.</p> <p>Cause/Effect - The School District could not ensure that these schools were receiving comparable services due to incomplete data necessary to calculate comparability.</p> <p>Recommendation - The School District should make additional efforts to ensure data is received for all schools to be included in the comparability report.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with this finding. Efforts to obtain the data are complicated by the closing of certain buildings and the redistricting of students during the school year. Additional efforts will be made in the future.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-5	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Schools receiving Title I grant funds and not meeting their AYP under the NCLB guidelines must allocate funds equivalent to at least 10 percent of their budget to expenditures for staff professional development.</p> <p>Condition - Ten out of the 10 schools selected for testing did not allocate and/or spend 10 percent of their Title I allocation on professional development.</p> <p>Questioned Costs - A total of \$353,506, the difference between the calculated 10 percent allocation and the actual amount spent</p> <p>Context - Schools identified as not meeting AYP are required to set aside and spend funds equivalent to 10 percent of their allocation on professional development. These funds were not allocated or spent in accordance with the requirement.</p> <p>Cause/Effect - Proper allocation of Title I funds ensures that the compliance requirements of this grant award are being met and that funds are available to assist teachers in their professional development at buildings identified as not meeting AYP.</p> <p>Recommendation - The School District should establish procedures to ensure that funds are properly allocated/budgeted and spent for professional development when required.</p> <p>Views of Responsible Officials and Planned Corrective Action - The School District agrees with this finding. Beginning in 2005/2006, a new process for properly allocating the professional development percentage is being implemented.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-6	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District is required to determine the poverty level of schools to determine their eligibility for and allocation of Title I funds.</p> <p>Condition - The calculation performed by the School District to determine the poverty measure is based on a weighted average of membership counts and free and reduced lunch counts. Per review of the calculation, it was revealed that the School District used data from different time periods for each component of the formula. The School District used the October 31, 2003 free and reduced lunch count and the September 24, 2003 fall membership count.</p> <p>Question Costs - Unknown</p> <p>Context/Cause/Effect - Use of data from different count dates could distort the resulting poverty measure, creating the possibility that schools may receive an inequitable allocation of Title I funds.</p> <p>Recommendation - The School District should use data from the same count dates to determine the poverty measure to ensure that each school receives their proper Title I allocation.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with this finding. We are continuing to improve our efforts to align these two dates.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-7	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - LEAs with allocations of more than \$500,000 must reserve at least 1 percent of their allocation for parental involvement activities. The School District is currently under audit by the Office of Inspector General related to the expenditures of the 2003/2004 and 2004/2005 school years.</p> <p>Condition - Per review of the draft exception from the OIG, we noted that the School District's parental involvement policy does not contain all of the elements required by the NCLB Act of 2001.</p> <p>Questioned Costs - None</p> <p>Context/Cause/Effect - Each local expenditure agency is required to develop a written parental involvement policy containing all the elements required by the NCLB Act of 2001. Specifically, how the School District will (1) involve parents in the joint development of the plan under Section 1112 of the Act and the process of school review and improvement under Section 1116 of the Act or (2) conduct, with the involvement of parents, an annual evaluation of the content and effectiveness of the parental involvement policy in improving the academic quality of the schools served under Title I, Part A and to use the findings of such evaluation to design strategies for more effective parental involvement, and to revise, if necessary, parental involvement policies.</p> <p>Recommendation - The School District should ensure that all of the required elements for parental involvement are included in their policy as required by the NCLB Act of 2001.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District is awaiting a final report from the OIG before responding.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-8	<p data-bbox="422 562 1440 682">Program Name - Vocational Education, 84.048; Reading First, 84.357; Safe and Drug-free Schools, 84.186; Title V, Part A, 84.298; Comprehensive School Reform Demonstration, 84.332A</p> <p data-bbox="422 724 1440 760">Pass-through Entity - Michigan Department of Education</p> <p data-bbox="422 808 1440 844">Finding Type - Material noncompliance</p> <p data-bbox="422 886 1440 961">Criteria - In accordance with OMB Circular A-87, Attachment A, allowable costs must be adequately documented to substantiate the charges.</p> <p data-bbox="422 1003 1440 1150">Condition - The School District was unable to substantiate the time spent and charges made to the following federal programs: Vocational Education, Reading First, Safe and Drug-free Schools, Title V, and Comprehensive School Reform.</p> <p data-bbox="422 1192 1440 1228">Questioned Costs:</p> <p data-bbox="422 1270 1440 1459">Vocational Education - \$294,369 (six exceptions in a sample of 25) Reading First - \$371,955 (10 exceptions in a sample of 25) Safe and Drug-free Schools - \$1,284 (two exceptions in a sample of 6) Title V - \$4,851 (three exceptions in a sample of 19) Comprehensive School Reform - \$2,035 (one exception in a sample of 25)</p> <p data-bbox="422 1501 1440 1690">Context - The School District did not provide documentation to substantiate the time employees spent in Vocational Education, Reading First, Safe and Drug-free Schools, Title V, and Comprehensive School Reform classrooms. There was no supporting documentation to support the employees' time, such as lesson plans or reading logs.</p> <p data-bbox="422 1732 1440 1801">Cause/Effect - Costs not properly supported with adequate documentation cannot be validated as proper expenditures under the grant.</p> <p data-bbox="422 1843 1440 1944">Recommendation - The School District should maintain adequate support for all costs charged to the grant to ensure compliance with the provisions of the award.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-8	Views of Responsible Officials and Planned Corrective Actions - The School District agrees with this finding as written. Based on the information provided, we will follow up on the missing documentation.

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-9	<p>Program Name - Reading First, 84.357</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Reportable condition and material noncompliance</p> <p>Criteria - In accordance with the OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, the School District is required to obtain semi-annual certifications, signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>Condition - The School District did not obtain certifications semi-annually signed by the employee or supervisory official for employees charged solely to one federal program.</p> <p>Questioned Costs - \$71,842</p> <p>Context - The School District did not provide other documentation to substantiate the time for seven of the 25 employees tested, charged to Reading First. We noted that six out of the seven employees' salaries are questioned in finding 05-8 above and are excluded from this finding's questioned costs.</p> <p>Cause/Effect - Signed certifications are required as a part of the documentation of the services provided by employees charged solely to one federal program. Absent these signed certifications, other documentation is required to substantiate time charged to the grant, such as timesheets or reading logs.</p> <p>Recommendation - The School District should adhere to their policy requiring employees charged solely to one federal program and obtain semi-annual certifications signed by the appropriate individual.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District has implemented a new process for obtaining certifications effective February 1, 2005.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-10	<p>Program Name - Title II, D 84.318</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Per the administrative requirements, OMB Circular A-102, and School District policy, expenditures greater than \$15,000 must be solicited for competitive bid.</p> <p>Condition - Grant expenditures for wireless cards greater than the bid threshold were not processed under the normal School District bid process.</p> <p>Questioned Costs - \$27,130</p> <p>Context - Title II Part D funds were spent for wireless cards greater than \$15,000 without following the School District's bid policy.</p> <p>Cause/Effect - Grant expenditures were approved without adhering to the School District's procurement policy, increasing the risk that the School District will not obtain competitive pricing and efficient use of grant funds.</p> <p>Recommendation - To obtain competitive prices, the School District should ensure that expenditures greater than the bid policy threshold should not be approved without being solicited for competitive bids.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District agrees with this finding.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-11	<p>Program Name - Title II Part D, 84.318</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - Per the 2005 Michigan Auditing Manual, a maximum of 5 percent of total funds approved may be used for the administration of the grant program. Indirect costs are considered to be administrative use of funds. Indirect costs are allowable under the grant up to the restricted indirect cost rate approved for the School District by the MDE, but in no case may the indirect costs exceed 5 percent of the total funds approved.</p> <p>Condition - During the testing of the final expenditures for the 2003/2004 grant, noted the School District charged 6.41 percent as indirect costs.</p> <p>Questioned Costs - \$27,401 - The difference between the 6.41 percent charged (\$121,936) and the 5 percent allowed (\$94,535).</p> <p>Context - The School District charged more for indirect costs than what is allowable on their 2003/2004 final expenditure report.</p> <p>Cause/Effect - The grant allows for a total of 5 percent of costs for administrative and indirect costs to be charged to the grant. The School District charged a total of 6.41 percent to indirect cost, which resulted in an additional 1.41 percent of indirect costs being charged to the grant. The difference is considered a questioned cost.</p> <p>Recommendation - The School District should ensure that no more than 5 percent of indirect costs and/or administrative costs are charged to the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District does not agree with this finding. The School District's position is that indirect costs can be charged to this grant equal to the School District's indirect cost rate (6.41 percent).</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-12	<p>Program Name - Title I, 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The School District must provide professional services for school identified for improvement as required by the 2 percent allocation.</p> <p>Condition - During the review of the budget detail obtained from MEGS, a school was identified for improvement but failed to receive services from the School District.</p> <p>Questioned Costs - \$42,116</p> <p>Context - A school building identified for improvement, Ellington Conservatory of Music/Art, did not receive services from the School District. However, it was noted that Guest Middle School did receive professional development despite not being identified to receive funds for improvement per the detail in MEGS.</p> <p>Cause/Effect - The School District failed to provide services to a school identified for improvement and provided services to a school not identified to receive funds.</p> <p>Recommendation - The School District should ensure that all schools identified for improvement receive the required services and that those schools not identified to receive funds, do not in fact receive any.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District if following up on this discrepancy.</p>

Detroit Public Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2005

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
05-13	<p>Program Name - Title I 84.010</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In accordance with OMB Circular A-87, Attachment A, cost must confirm to any limitations, i.e., the grant period, or exclusions set forth by the circular.</p> <p>Condition - The School District did not spend grant funds during the appropriate grant period.</p> <p>Questioned Costs - \$1,574,998</p> <p>Context - The School District contracted for services related to professional development, a component of the school improvement plan, during the 2003/2004 grant year (March 1, 2004 through August 31, 2004). Services were actually provided in the 2004/2005 grant year (March 1, 2005 through August 30, 2005).</p> <p>Cause/Effect - The School District paid for grant expenditures using funds from the preceding grant year. Funds were technically obligated during the original grant period and considered as expenditures for that period. All services were provided in the subsequent grant period.</p> <p>Recommendation - The School District should take additional steps to ensure that transactions are recorded and obligated in the appropriate year of the grant funding and paid with the corresponding funds.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The School District acknowledges this finding; however, all funds were expended on allowable costs.</p>